

Message Text

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13

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 FEA-02 INT-08 NSC-07

SS-20 STR-08 CEA-02 DRC-01 /136 W

----- 080022

R 130550Z MAR 74

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 7781

INFO AMEMBASSY BANGKOK

AMEMBASSY SINGAPORE

AMCONSUL HONG KONG

UNCLAS RANGOON 0673

E.O. 11652: N/A

TAGS: EFIN BM

SUBJECT: GUB ANNOUNCES INCOME TAX RATES

REF: RANGOON A-25 (WEEKA #9, ITEM 6)

1. GUB MARCH 13 ANNOUNCED INCOME TAX RATES WHICH WILL GO INTO EFFECT APRIL 1. MOST IMPORTANT PROVISIONS ARE AS FOLLOWS:

A. TAX ON SALARIES BEGINS AT 4 PERCENT OF INCOMES UP TO K.5000 PER YEAR, RISING TO MAXIMUM RATE OF 35 PERCENT ON INCOME OVER K.40,000.

B. TAX ON INCOME FROM "COMMERCIAL ENTERPRISES, PROPERTY AND UNSPECIFIED SOURCES" BEGINS AT 4 PERCENT OF INCOMES UP TO K.5000 PER YEAR, RISING TO MAXIMUM OF 50 PERCENT ON INCOME OVER K.30,000.

C. "SUPER TAX" WILL BE LEVIED ON ALL INCOMES OVER K.42,000 PER YEAR. RATES BEGIN AT 10 PERCENT ON INCOMES BETWEEN K.42,000 AND K.75,000, RISING TO MAXIMUM OF 45 PERCENT ON INCOMES OVER K.300,000.

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D. RATE FOR FOREIGNER WORKING ON GUB OR GUB-SPONSORED PROJECT

IS 25 PERCENT OF HIS TOTAL INCOME.

E. RATE FOR FOREIGN COMPANIES WORKING ON GUB OR GUB-SPONSORED PROJECT IS 40 PERCENT OF TOTAL INCOME.

F. 60 PERCENT RATE APPLIES TO INCOME FROM PROPERTY (IN BURMA) OF FOREIGNER RESIDING ABROAD.

2. EMBASSY HAS COMPLETED TRANSLATION OF NEW INCOME TAX ACT AND WILL POUCH TO ADDRESSEES TOGETHER WITH FULL DETAILS OF RATES JUST ANNOUNCED. ACT RESERVES EXTENSIVE POWERS TO GUB TO EXEMPT OR GRANT SPECIAL TREATMENT TO PARTICULAR TYPES OF INCOME OR TAXPAYER.

3. COMMENT: OF MAIN INTEREST TO U.S. COMPANIES, INCLUDING OIL COMPANIES, ARE RATES FOR FOREIGN COMPANIES AND FOREIGNERS WORKING ON GU-SPONSORED PROJECTS. NEW RATES APPEAR IN LINE WITH WHAT COMPANIES (MAINLY OIL COMPANIES) CURRENTLY NEGOTIATING WITH GUB HAD EXPECTED. DOMESTICALLY, NEW RATES WILL PROVIDE SUBSTANTIAL RELIEF TO SALARY EARNERS AND APPEAR TO PROVIDE SOME INCENTIVE TO SMALL PRIVATE ENTERPRISES (BUT VERY LITTLE TO MEDIUM AND LARGE-SCALE PRIVATE BUSINESS). UNDER NEW RATES, A BUSINESS EARNING K.40,000 PER YEAR WILL SURRENDER 28 PERCENT OF ITS TAXABLE INCOME TO TAX COLLECTOR, INSTEAD OF 40 PERCENT. FOR BUSINESS WITH K.400,000 ANNUAL INCOME TOTAL TAX WILL AMOUNT TO 75 PERCENT AS OPPOSED TO 91 PERCENT AT PRESENT, BUT BUSINESS EARNING K.4 MILLION WILL GAIN LITTLE RELIEF, PAYING 93 PERCENT INSTEAD OF 98 PERCENT. LACEY

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